Securities

Bookmark

Mar. 4, 2019

Wilson Sonsini guides Lyft in 1st of expected big IPO year

San Francisco-based Lyft Inc., a popular rideshare app, filed an initial public offering estimated at $100 million on Friday with legal advice from Wilson Sonsini Goodrich & Rosati PC in Palo Alto.

Katie Martin, a partner at Wilson Sonsini Goodrich & Rosati PC, is leading a legal team advising Lyft Inc. in its projected $100 million initial public offering.

A team from Wilson Sonsini Goodrich & Rosati PC is guiding rideshare app Lyft Inc. in its plan to go public -- a move that might signal the start of a banner year for Silicon Valley technology IPOs.

The Wilson Sonsini team is being led by Katharine A. Martin with partners Rezwan D. Pavri, Lisa L. Stimmell and Andrew T. Hill.

Pricing and share volume for the offering have not been disclosed, Lyft said in a Securities and Exchange Commission filing.

After a slow start to 2019 -- thanks to the government shutdown that ran into late January and shuttered various federal institutions and activities, including the SEC -- Lyft is one of the first "unicorns," or privately-held companies valued at more than $1 billion, to announce plans to go public. The deal announcement also gives Lyft a head start to public markets before its primary ridesharing rival, Uber Technologies Inc.

"Lyft's ability to beat Uber to market is important given Uber's far larger valuation and potential to dominate investor interest," said John T. Bradley, an Irvine partner at Troutman Sanders LLP, who is not involved in the deal. "Lyft also has the opportunity to define the ridesharing category from an investment perspective, at least until Uber makes its debut in the public markets."

"An aggressive Lyft valuation will help validate some very optimistic valuations of other so-called unicorns," he added.

Coupled with that aggressive valuation is the reality that Lyft, like many of its contemporaries, is a company that has posted staggering losses each year. In its SEC filing, Lyft posted a loss of $911.3 million for last year.

Coupled with that aggressive valuation is the reality that Lyft, like many of its contemporaries, is a company that has posted staggering losses each year. In its SEC filing, Lyft posted a loss of $911.3 million for last year.

"The interesting thing about Lyft is how this is testing the market's appetite for companies that are suffering," said Michael Dorff, technology law & entrepreneurship program director at Southwestern Law School in Los Angeles, who is not involved in Lyft's IPO.

"Whether investors want to take a risk and see if they're able to compensate for losses that have happened, and will continue to happen," are other issues that could be demonstrated Dorff said.

Goodwin Procter LLP is advising the underwriting syndicate, led by J.P. Morgan Securities LLC, Credit Suisse Securities (USA) LLC and Jefferies LLC. Twenty-nine financial institutions are underwriting the deal.

Redwood City partners Richard A. Kline, Anthony J. McCusker and An-Yen E. Hu are the lead Goodwin attorneys advising the underwriting syndicate.

In a first for the SEC, and at Lyft's request, the offering includes a proviso in which an as yet undisclosed percentage of the shares would be reserved for current Lyft drivers in a "directed shared program." Specifically, this part of the prospectus stipulates that Lyft drivers in good standing who have completed at least 10,000 rides as of Feb. 25, 2019 will be entitled to shares of Class A common stock, without being subject to the terms of any lock-up agreements. What's more, those drivers will have a cash bonus incentive to purchase stock in the company, of $1,000 or even $10,000 to those who have completed at least 20,000 rides.

"This is the first evidence we have seen that the SEC is open to letting companies provide stock compensation to 'gig economy' workers," said Washington, D.C.-based John Atwood, associate managing editor, current awareness at Wolters Kluwer Legal & Regulatory U.S. "Since Lyft's cash bonus plan is in the public filing, it is safe to assume the SEC has given it its blessing."

Lyft has applied to list on Nasdaq using the trading symbol, "LYFT." The company has done many deals entities affiliated with Google's parent company, Alphabet Inc. and General Motors, both of which own more than 5 percent of Lyft's outstanding Class A common stock, according to the SEC filing.

"General Motors is risk spreading," said Dorff. With transportation likely to change drastically in the next 10 years alone, GM wants to have a hand in the game in case the general public continues to lean toward ride-sharing. "It's a way of softening the blow," he said.

#351434

Dan Heching
Daily Journal Staff Writer
dan_heching@dailyjournal.com